
HOUSE BILL No. 1658

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3.1; IC 20-12-20.3; IC 22-4.1-10.

Synopsis: New workforce scholars program and tax credits. Establishes the new workforce scholars fund and program. Provides a tax credit against state tax liability for: (1) employers that provide employment in targeted employment areas for students and graduates participating in a certified degree program; and (2) graduates of a certified degree program who are employed in Indiana after graduation. Provides for certification of degree programs.

Effective: Upon passage; January 1, 2005 (retroactive); July 1, 2005.

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January 19, 2005, read first time and referred to Committee on Commerce, Economic Development and Small Business.

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First Regular Session 114th General Assembly (2005)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2004 Regular Session of the General Assembly.

HOUSE BILL No. 1658

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 6-3.1-29 IS ADDED TO THE INDIANA CODE
2 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE
3 JANUARY 1, 2005 (RETROACTIVE)]:

4 **Chapter 29. Internship Payroll Credit**

5 **Sec. 1.** As used in this chapter, "certified degree program" has
6 the meaning set forth in IC 22-4.1-10-1.

7 **Sec. 2.** As used in this chapter, "graduate" has the meaning set
8 forth in IC 22-4.1-10-5.

9 **Sec. 3.** As used in this chapter, "institution of higher learning"
10 has the meaning set forth in IC 20-12-29.5-4.

11 **Sec. 4.** As used in this chapter, "pass through entity" means:

12 (1) a corporation that is exempt from the adjusted gross
13 income tax under IC 6-3-2-2.8(2);

14 (2) a partnership;

15 (3) a limited liability company; or

16 (4) a limited liability partnership.

17 **Sec. 5.** As used in this chapter, "payroll expenditures" means

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wages and other compensation reportable as taxable income to a student or graduate.

Sec. 6. As used in this chapter, "state tax liability" means the total tax liability incurred under:

- (1) IC 6-3 (adjusted gross income tax);
- (2) IC 6-5.5 (financial institutions tax); and
- (3) IC 27-1-18-2 (insurance premiums tax);

as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

Sec. 7. As used in this chapter, "student" has the meaning set forth in IC 22-4.1-10-7.

Sec. 8. As used in this chapter, "targeted employment" has the meaning set forth in IC 22-4.1-10-8.

Sec. 9. As used in this chapter, "taxpayer" means an individual or entity that has state tax liability or is a pass through entity.

Sec. 10. (a) A taxpayer that during a taxable year:

- (1) employs in targeted employment at least one (1) student or graduate; and
- (2) complies with the terms of the internship or postgraduate component of a certified degree program through which the student or graduate was placed with the taxpayer;

is entitled to a credit against the taxpayer's state tax liability in the taxable year.

(b) A taxpayer that during a taxable year employs in targeted employment a student or graduate of a certified degree program is entitled to a credit against the taxpayer's state tax liability in the taxable year.

Sec. 11. A credit under this chapter is equal to the sum of:

- (1) five hundred dollars (\$500) for each targeted employment position:

(A) filled by a student in or a graduate of a certified degree program certified by the state student assistance commission, in consultation under IC 22-4.1-10 with the department of workforce development and the commission for higher education; and

(B) approved by the sponsoring institution of higher learning; plus

- (2) the lesser of:

(A) the payroll expenditures incurred by the taxpayer in the taxable year to employ the student or graduate in targeted employment; or

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(B) five hundred dollars (\$500).

Sec. 12. If the credit for which a taxpayer is eligible in a taxable year under this chapter exceeds the taxpayer's state tax liability for the taxable year, the taxpayer may carry over the excess to the immediately following taxable years. The amount of the credit carryover from a taxable year shall be reduced to the extent that the carryover is used by the taxpayer to obtain a credit under this chapter for any subsequent taxable year. A taxpayer is not entitled to any carryback or refund.

Sec. 13. If a pass through entity does not have state income tax liability against which the credit under this chapter may be applied, a shareholder, partner, or member of the pass through entity is entitled to a credit equal to:

- (1) the credit determined under this chapter for the pass through entity for the taxable year; multiplied by
- (2) the percentage of the pass through entity's distributive income to which the shareholder, partner, or member is entitled.

Sec. 14. To receive a credit under this chapter, a taxpayer must claim the credit on the taxpayer's state tax return in the manner prescribed by the department. The taxpayer must submit to the department proof of payment of the payroll expenditures and all information that the department determines is necessary to determine the taxpayer's eligibility for the credit.

Sec. 15. A taxpayer is not eligible to receive both a credit for an employee under this chapter and a credit or deduction for the same employee under any of the following:

- (1) IC 6-3-3-10 (enterprise zone employment credit).
- (2) IC 6-3.1-6 (prison investment credit).

SECTION 2. IC 6-3.1-30 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]:

Chapter 30. New Workforce Scholars Tax Credit

Sec. 1. As used in this chapter, "eligible taxpayer" means an individual who satisfies the following requirements:

- (1) The individual participated in the new workforce scholars program established under IC 20-12-20.3.
- (2) The individual received provisional tax credits under the program described in subdivision (1).
- (3) The individual graduated from a certified degree program (as defined in IC 20-12-20.3-1).
- (4) The individual is employed in Indiana.

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1 **Sec. 2.** As used in this chapter, "state income tax liability"
 2 means an individual's adjusted gross income tax liability under
 3 IC 6-3.

4 **Sec. 3. (a)** Beginning with the eligible taxpayer's first taxable
 5 year that begins after the date that the eligible taxpayer graduated
 6 from a certified degree program, an eligible taxpayer is entitled to
 7 a refundable credit against the eligible taxpayer's state income tax
 8 liability. The amount of the tax credit is equal to the amount of the
 9 provisional credit awarded under IC 20-12-20.3 to the eligible
 10 taxpayer in the academic year that corresponds to the number of
 11 taxable years following the eligible taxpayer's graduation as
 12 follows:

13 Taxable year following	Academic year in the
14 graduation	program
15 1st	1st
16 2nd	2nd
17 3rd	3rd
18 4th	4th

19 **(b)** If the amount of the credit under this chapter exceeds the
 20 eligible taxpayer's state tax liability for the taxable year, the excess
 21 shall be refunded to the eligible taxpayer.

22 **Sec. 4.** To obtain the credit provided by this chapter, an eligible
 23 taxpayer must file with the department information proving the
 24 amount of the provisional tax credits awarded to the eligible
 25 taxpayer as a student participating in the new workforce scholars
 26 program and any other information required by the department.

27 SECTION 3. IC 20-12-20.3 IS ADDED TO THE INDIANA CODE
 28 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE
 29 JULY 1, 2005]:

30 **Chapter 20.3. New Workforce Scholars Program**

31 **Sec. 1.** As used in this chapter, "certified degree program" has
 32 the meaning set forth in IC 22-4.1-10-1.

33 **Sec. 2.** As used in this chapter, "commission" refers to the state
 34 student assistance commission established by IC 20-12-21-4.

35 **Sec. 3.** As used in this chapter, "eligible employer" means an
 36 employer that provides employment to an eligible student in
 37 targeted employment (as defined in IC 22-4.1-10-8) through the
 38 internship component of a certified degree program under
 39 IC 22-4.1-10. The term includes the following:

- 40 (1) A person (as defined in IC 6-3-1-14) acting as a sole
 41 proprietor.
 42 (2) A corporation (as defined in IC 6-3-1-10).

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(3) A partnership (as defined in IC 6-3-1-19).

Sec. 4. As used in this chapter, "eligible student" means a student (as defined in IC 22-4.1-10-7) who:

- (1) is enrolled full time as an undergraduate in a certified degree program through an institution of higher learning;
- (2) is an Indiana resident;
- (3) has achieved a Core 40 or an Academic Honors Diploma, or the equivalent of a Core 40 or an Academic Honors Diploma, as determined by the commission; and
- (4) has a cumulative high school grade point average of at least 3.0 on a 4.0 scale.

The commission may impose additional eligibility requirements, including requirements set forth in IC 20-12-21-6.

Sec. 5. As used in this chapter, "institution of higher learning" means:

- (1) a state educational institution (as defined in IC 20-12-0.5-1); or
- (2) a private institution of higher education (as defined in IC 20-12-63-3(10)).

Sec. 6. (a) The new workforce scholars program is established.

(b) The commission shall administer the program.

Sec. 7. The executive director of the commission may employ or contract for clerical and professional staff and administrative support necessary to implement this chapter.

Sec. 8. (a) The commission shall award a provisional tax credit to an eligible student who:

- (1) is enrolled in good standing in a certified degree program;
- (2) enters into an agreement with the commission under this chapter; and
- (3) complies with the requirements established under the rules of the commission.

(b) An eligible student may not claim a tax credit against the student's Indiana adjusted gross income tax under this chapter. However, proof of the provisional tax credit awarded under this chapter may be used to obtain a tax credit under IC 6-3.1-29 in a taxable year that begins after the eligible student graduates from a certified degree program and remains eligible for a tax credit under the requirements of IC 6-3.1-29.

Sec. 9. (a) The amount of a provisional tax credit awarded under section 8 of this chapter may be up to two thousand dollars (\$2,000) per academic year.

(b) The commission may not award total provisional tax credits

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in excess of twenty-eight million dollars (\$28,000,000) for any academic year. Furthermore, the commission must limit the award of provisional tax credits for the 2005-2006 academic year so that the total amount of tax credits claimed under this chapter for the 2007 taxable year does not exceed seven million five hundred thousand dollars (\$7,500,000).

(c) The commission may consider any of the following factors in determining the amount of the provisional tax credit to award under section 8 of this chapter:

(1) Whether an eligible student is enrolled in a certified degree program for less than a full academic year.

(2) Whether a student receives additional aid from other state assistance programs.

(3) Any other factor set forth in the rules of the commission.

Sec. 10. An eligible student must enter into an agreement with the commission to be eligible for a provisional tax credit under this chapter. The agreement must include the following requirements:

(1) The eligible student must remain enrolled in good standing in a certified degree program during the academic year.

(2) The eligible student must remain and be employed in Indiana after the student graduates from the certified degree program for a period of years equal to the number of years for which the student received a provisional tax credit under this chapter.

The agreement may include any other provisions that the commission considers necessary to administer this chapter.

Sec. 11. The commission shall enter into agreements with institutions of higher learning to implement this chapter.

Sec. 12. The commission may adopt rules under IC 4-22-2 that are necessary or appropriate to implement this chapter. The rules that are adopted under this chapter may include rules establishing different standards or procedures for resident and nonresident students.

SECTION 4. IC 22-4.1-10 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]:

Chapter 10. Certified Degree Programs

Sec. 1. As used in this chapter, "certified degree program" means a degree program that:

(1) is certified by the commission in consultation with the department and the commission for higher education;

(2) addresses the areas of targeted employment; and

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(3) includes an internship component described in section 10 of this chapter.

Sec. 2. As used in this chapter, "commission" refers to the state student assistance commission established by IC 20-12-21-4.

Sec. 3. As used in this chapter, "employer" has the meaning set forth in IC 22-8-1.1-1.

Sec. 4. As used in this chapter, "fund" refers to the new workforce scholars fund established by section 9 of this chapter.

Sec. 5. As used in this chapter, "graduate" means a graduate of an institution of higher learning in Indiana who:

- (1) participated in a certified degree program; and
- (2) remains and is employed in Indiana in targeted employment after the student graduates from the certified degree program to complete a postgraduate component of a certified degree program.

Sec. 6. As used in this chapter, "institution of higher learning" means:

- (1) a state educational institution (as defined in IC 20-12-0.5-1); or
- (2) a private institution of higher education (as defined in IC 20-12-63-3(10)).

Sec. 7. As used in this chapter, "student" means an individual who:

- (1) is enrolled on a full-time basis as an undergraduate or graduate student at an institution of higher learning that conducts a certified degree program; and
- (2) participates in the internship component of a certified degree program conducted by the institution of higher learning.

Sec. 8. As used in this chapter, "targeted employment" means employment in any of the following business activities:

- (1) Advanced manufacturing, including the following:
 - (A) Automotive and electronics.
 - (B) Aerospace technology.
 - (C) Robotics.
 - (D) Engineering design technology.
- (2) Life sciences, including the following:
 - (A) Orthopedics or medical devices.
 - (B) Biomedical research or development.
 - (C) Pharmaceutical manufacturing.
 - (D) Agribusiness.
 - (E) Nanotechnology or molecular manufacturing.

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(3) Information technology, including the following:

(A) Informatics.

(B) Certified network administration.

(C) Software development.

(D) Fiber optics.

(4) Twenty-first century logistics, including the following:

(A) High technology distribution.

(B) Efficient and effective flow and storage of goods, services, or information.

(C) Intermodal ports.

Sec. 9. (a) The new workforce scholars fund is established for the following purposes:

(1) To pay the total operating expenses of the commission, including grants and administrative expenses, for the certified degree program.

(2) To reimburse the state general fund for the amount by which internship payroll credits (IC 6-3.1-29) taken by taxpayers reduce tax revenue deposits into the state general fund.

(b) The fund shall be administered by the budget agency.

(c) The expenses of administering the fund shall be paid from money in the fund. Interest that accrues from these investments shall be deposited in the fund.

(d) The treasurer of state shall invest the money in the fund not currently needed to meet the obligations of the fund in the same manner as other public money may be invested.

(e) Money in the fund at the end of a state fiscal year does not revert to the state general fund.

Sec. 10. The commission, in consultation with the department and the commission for higher education, shall establish criteria for certification of a certified degree program under this chapter. The criteria must include the following:

(1) The certified degree program is operated or administered by an institution of higher learning or a department, school, or program within an institution of higher learning.

(2) The certified degree program integrates a particular curriculum or course of study offered at the institution of higher learning with career internships provided by employers.

(3) The certified degree program places students in career internships provided by employers in targeted employment.

(4) The certified degree program requires participating

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students to meet certain academic standards.

(5) The certified degree program requires employers to provide to participating students the:

(A) supervision; and

(B) payroll and personnel services;

that the employers provide to their regular part-time employees, if any.

(6) The certified degree program is designed to provide an internship experience that enriches and enhances the classroom experience of participating students in the field of the targeted employment.

(7) The certified degree program requires employers to comply with all state and federal laws pertaining to the workplace.

(8) The certified degree program complies with any other requirement adopted by rule by the commission after consultation with the department.

Sec. 11. The criteria for a certified degree program may allow:

(1) a student to participate in an internship with an employer in targeted employment at any time during the year, including the summer, as long as the student remains enrolled at the institution of higher learning that operates or administers the certified degree program; and

(2) a graduate of the institution of higher learning to participate in a graduate position with an employer in targeted employment at any time during the year, including the summer, as long as the graduate is engaged in a postgraduate component of a certified degree program that is approved under this chapter.

Sec. 12. Any institution of higher learning may apply to the commission to be certified to conduct a certified degree program.

Sec. 13. An institution of higher learning that seeks certification for a certified degree program must:

(1) submit a request to the commission in the manner and in the form specified by the commission; and

(2) meet the criteria established under this chapter for the certified degree program.

Sec. 14. The commission, in consultation with the department and the commission for higher education, shall certify certified degree programs.

Sec. 15. If an institution of higher learning is certified to conduct a certified degree program, the commission, in consultation with

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the department, the commission for higher education, and the budget agency, shall allocate to the institution of higher learning, on the schedule determined by the commission, the maximum number of students and graduates that may be placed with an employer during a year through the certified degree program. The commission may increase or decrease the number of student and graduate positions allocated to an institution of higher learning, as needed, to:

- (1) temporarily or permanently reallocate unused positions; and
- (2) meet the requirements of section 16 of this chapter.

Sec. 16. The total number of student and graduate positions allocated under section 15 of this chapter to all institutions of higher learning that are certified under this chapter may not exceed a number of positions that will result in a transfer under section 17 of this chapter in any state fiscal year of an amount that exceeds the amount that will be available in the fund from appropriations from the fund, after taking into account any amounts reserved in the fund for transfers in a subsequent state fiscal year.

Sec. 17. In each state fiscal year after June 30, 2005, the budget agency shall transfer from the fund an amount equal to the amount needed to reimburse the state general fund for the amount by which internship payroll credits taken by taxpayers under IC 6-3.1-29 reduced tax revenue deposits into the state general fund in that state fiscal year.

Sec. 18. If any money is available in the fund after:

- (1) reserving amounts and transferring amounts, as needed, to comply with section 17 of this chapter; and
- (2) meeting the other obligations of the fund;

the commission may award to a student a grant from the fund. If the commission awards a grant under this section, the commission shall award the grant in an amount determined by the commission for academic credit to fulfill the internship component of a certified degree program. A grant awarded under this section is in addition to any other grants awarded to a student.

Sec. 19. The commission, in consultation with the department and the commission for higher education, may adopt rules under IC 4-22-2 to implement this chapter.

Sec. 20. This chapter expires July 1, 2015.

SECTION 5. An emergency is declared for this act.

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